

Message Text

CONFIDENTIAL

PAGE 01 JAKART 02800 01 OF 02 050404Z
ACTION EA-09

INFO OCT-01 EB-08 ISO-00 L-03 H-01 /022 W
-----050439Z 036753 /66

R 040937Z MAR 77
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 9580

C O N F I D E N T I A L SECTION 1 OF 2 JAKARTA 2800

STADIS//////////

E.O. 11652: GDS
TAGS: EFIN, BGEN, ID
SUBJECT: DOMSAT CASE

REF: (A) JAKARTA 1929, (B) JAKARTA 2764

1. LOCAL HUGHES REP. FRED JUDGE, MARCH 4 CALLED ON ME ON
INSTRUCTION OF HUGHES PRESIDENT PUCKETT TO BRING TELEX
COPY OF MARCH 3 LETTER FROM PUCKETT TO MINISTER SALIM
WHICH JUDGE WAS ABOUT TO DELIVER TO MINISTER SALIM. COM-
PLETE TEXT OF TELEX IS AS FOLLOWS:

BEGIN TEXT:

DR. EMIL SALIM

MINISTER OF TRANSPORT, COMMUNICATIONS AND TOURISM

MERDEKA BARAT NO. 8

JAKARTA, INDONESIA

DEAR DR. SALIM:

THANK YOU FOR YOUR LETTER OF 21 FEBRUARY 1977,
WHICH WAS ALSO RELAYED TO ME BY YOUR WASHINGTON EMBASSY
IN A LETTER DATED FEBRUARY 23, 1977.

LET ME START OUT BY REMOVING ANY QUESTION WHICH MAY
BE IN THE MINDS OF ANYONE IN INDONESIA CONCERNING THE
FACTS. HUGHES AIRCRAFT COMPANY HAS HAD NO CONTRACTUAL
OBLIGATION TO PAY AND HAS NOT PAID ANYONE ANY AMOUNT TO
OBTAIN THE INDONESIAN DOMESTIC SATELLITE CONTRACT. NO

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PAYMENTS HAVE BEEN MADE BY THE COMPANY DIRECTLY OR THROUGH
ANY BRANCH OR REPRESENTATIVE, AND NO PAYMENTS WILL BE
MADE IN THE FUTURE.

TO GIVE YOU FURTHER ASSURANCE ALONG THIS LINE WE
ADVISED YOU IN MR. VISHER'S TELEX OF FEBRUARY 25 THAT WE
ASKED THE PUBLIC ACCOUNTING FIRM OF HASKINS AND SELLS, WHO
ARE OUR INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS, TO

EXTEND THEIR AUDIT PROCEDURES TO INCLUDE THE REVIEW OF EXISTING INTERNAL CONTROLS RELATED TO DISBURSEMENTS UNDER THE PROGRAM. HASKINS AND SELLS INFORMS US THAT THEY FOUND NO IRREGULARITIES IN CONNECTION WITH THIS MATTER IN THE RELATED ACCOUNTING RECORDS, AND THEY WERE SATISFIED

WITH THE CONTROLS THAT EXISTED IN THE DISBURSEMENT FUNCTIONS.

IN ADDITION, IT SHOULD BE NOTED THAT HUGHES AIRCRAFT COMPANY IS UNDER CONTINUOUS REVIEW BY REPRESENTATIVES OF THE UNITED STATES GOVERNMENT WITH RESPECT TO THE PERFORMANCE OF GOVERNMENT PRIME CONTRACTS AND SUBCONTRACTS AT ANY TIER. THIS REVIEW, WHICH HAS INCLUDED AN EXAMINATION OF THE RECORDS OF COMMISSIONS, CONSULTANTS' FEES, AND SIMILAR COMPENSATION WITH RESPECT TO ALL OUR CONTRACTS, COMMERCIAL AND FOREIGN, AS WELL AS THOSE WITH OUR GOVERNMENT, HAS NEVER PRODUCED ANY EVIDENCE OF OUR PAYMENT OF ANY IMPROPER COMMISSION OR CONSULTANTS' FEE. BECAUSE OF THE QUESTIONS RAISED BY YOUR CABLE WITH REGARD TO POSSIBLE LEGAL ACTIONS AGAINST DR. CHEATHAM WE AGAIN ASKED OUR LEGAL COUNSEL FOR ADVICE. EVEN IGNORING THE PROBLEMS OF PROOF INHERENT IN A CASE SUCH AS THIS IT WOULD APPEAR THAT ACTUAL DAMAGES WOULD BE ALMOST TOO SPECULATIVE TO PROVE. IN ADDITION, ANY SUCH

LITIGATION WOULD BE EXTREMELY EXPENSIVE AND TIME-CONSUMING. FOR THESE REASONS, REGARDLESS OF THE MORAL OR EVEN LEGAL JUSTIFICATION, OUR COUNSEL DOES NOT RECOMMEND THAT WE CONFIDENTIAL

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PROCEED WITH ANY LITIGATION AT THIS TIME. NEVERTHELESS, WE HAVE ASKED THEM TO CONTINUE TO REVIEW THE SITUATION, AND WE WILL TAKE WHATEVER ACTION MAY BE APPROPRIATE IN LIGHT OF ANY FUTURE DEVELOPMENTS. IN YOUR CABLE YOU ASKED ABOUT OUR PRACTICE WITH RESPECT TO THE PAYMENT OF ROYALTIES OR COMMISSIONS IN CONNECTION WITH PROGRAMS SIMILAR TO THAT UNDERTAKEN IN INDONESIA. HUGHES RECOGNIZES THAT DISPARITIES IN CULTURE, LANGUAGE, CUSTOMS AND BUSINESS PSYCHOLOGY CAN SOMETIMES PRESENT SUBSTANTIAL OBSTACLES IN ITS DEALINGS WITH A FOREIGN CUSTOMER. ACCORDINGLY, ON OCCASIONS WE DO RETAIN OUTSIDE CONSULTANTS OR SALES REPRESENTATIVES TO ASSIST US IN OVERCOMING THESE OBSTACLES. FOLLOWING NORMAL PRACTICE, THEIR COMPENSATION IS IN THE FORM OF A FEE OR A COMMISSION OR A COMBINATION OF THE TWO. HOWEVER, NO SUCH ASSISTANCE WAS REQUIRED IN CONNECTION WITH THE INDONESIAN PROGRAM, AND NO FEE OR COMMISSION WAS PAID OR WILL BE PAID TO ANY THIRD PARTY FOR ANY SUCH SUPPORT. VERY TRULY YOURS,

A.E. PUCKETT
PRESIDENT
END TEXT.

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ACTION EA-09

INFO OCT-01 EB-08 ISO-00 L-03 H-01 /022 W
-----050440Z 036772 /66

R 040937Z MAR 77
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 9581

C O N F I D E N T I A L SECTION 2 OF 2 JAKARTA 2800

STADIS//////////

2. AFTER BRIEFLY REVIEWING HUGHES SITUATION UP TO THIS TIME, JUDGE SAID THAT IT WAS HIS COMPANY'S HOPE THAT PUCKETT'S LETTER TO SALIM WOULD PUT THE WHOLE CASE TO REST BUT THAT HUGHES WAS NOT CERTAIN TO WHAT EXTENT GOI WOULD CONTINUE PURSUE POSSIBLE LEGAL ACTIONS AGAINST DR. CHEATHAM AND THE NEW YORK TIMES. JUDGE SAID THAT HUGHES WAS IN FACT PERPLEXED BY THE ENTIRE SITUATION AND ASKED FOR MY VIEWS ON SALIM'S CONCERNS AND WHAT FURTHER DEVELOPMENTS I MIGHT ANTICIPATE. HE NOTED THAT SALIM HAD NOT FELT THAT HUGHES WAS TAKING SUFFICIENTLY FIRM ACTION IN COUNTERING THE NEW YORK TIMES ALLEGATIONS AND THAT THIS HAD PROMPTED HUGHES TO ASK FOR AN AUDIT REPORT BEFORE SENDING A FURTHER MESSAGE TO SALIM.

3. JUDGE SAID THAT SALIM HAD COMMUNICATED WITH DR. PUCKETT AND HAD REQUESTED PRICE DATA ON THE CONTRACT. SUCH DATA, JUDGE SAID, HAD IN FACT BEEN PROVIDED TO SALIM ALONG WITH AN EXPLANATION FOR THE SPREAD BETWEEN THE INITIAL ESTIMATE AND THE FINAL CONTRACT PRICE.

4. I TOOK THE OCCASION TO INFORM JUDGE OF THE JUSTICE DEPARTMENT DECISION TO CONDUCT INVESTIGATION (WHICH JUDGE SAID HE WAS NOT AWARE OF) AND OF JUSTICE'S READINESS TO DISCUSS WITH GOI OFFICIALS POSSIBLE AGREEMENT FOR THE EX-CHANGE OF INFORMATION RELATING TO THE DOMSAT CASE. I
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INFORMED JUDGE THAT THUS FAR SALIM HAD NOT REACTED TO THIS OFFER NOR HAD HE EITHER MADE PUBLIC EX-IM CORRESPONDENCE WITH SENATOR PROXMIRE NOR MADE PUBLIC STATEMENT REGARDING THE JUSTICE DEPARTMENT'S INVESTIGATION.

5. JUDGE SAID THAT HE APPRECIATED BEING BROUGHT UP TO DATE ON THE SITUATION AND REQUESTED THAT WE TREAT OUR COPY OF DR. PUCKETT'S LETTER TO SALIM WITH UTMOST CONFIDENCE.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BRIBERY, PUBLIC CORRESPONDENCE, CONTRACTS
Control Number: n/a
Copy: SINGLE
Sent Date: 04-Mar-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977JAKART02800
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770076-0272
Format: TEL
From: JAKARTA
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770393/aaaadedh.tel
Line Count: 184
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1cc5adbd-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: 77 JAKARTA 1929, 77 JAKARTA 2764
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3210058
Secure: OPEN
Status: NATIVE
Subject: DOMSAT CASE
TAGS: EFIN, BGEN, ID, HUGHES AIRCRAFT CO
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/1cc5adbd-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009